



IOWA'S PENSION SYSTEM IS IN GOOD SHAPE—the state has set aside about 88% of the funds needed to cover its long-term pension promises. Iowa generally keeps up with the annual payment amount identified by its own actuaries, although it has contributed a bit less than usual in the last three years. Iowa's retiree health and other non-pension benefits are modest, reflecting the "implicit subsidy" that comes from having retirees participate in the same health plan as typically healthier active employees. Iowa has a long-term bill coming due of about \$220 million for non-pension benefits.

PENSIONS

TOTAL BILL COMING DUE: **\$21.5 billion**¹

FUNDS SET ASIDE: **\$19 billion**

PORTION UNFUNDED: **\$2.5 billion**

PERCENT FUNDED: **88 as of 2006**²

TEN YEAR FUNDING HIGH: **98% in 2000**

TEN YEAR FUNDING LOW: **88% in 2006**

HOW IS THE STATE DOING IN PAYING ITS ANNUAL BILL? 

ASSUMPTIONS: Iowa assumed 7.5% interest on pension investments as of 2006, somewhat below the 50-state median of 8%. It uses a 25% factor in smoothing out investment returns over time—the equivalent of smoothing out results over four years, shorter than most states. The amortization period conforms to accounting standards.

¹ Iowa Public Employees Retirement System includes state employees, police, fire fighters and judges.

² 50-state mean was 82%.

OTHER BENEFITS

TOTAL BILL COMING DUE: **\$220 million**

FUNDS SET ASIDE: **\$0**

PORTION UNFUNDED: **\$220 million**¹

PERCENT FUNDED: **0 as of 2006**

HOW IS THE STATE DOING IN MANAGING THIS BILL? 

¹ 19% of covered payroll, compared to a national median of 135%.

REFORMS: Iowa passed "spiking" controls in 2006 to curtail employees' ability to inflate their salaries in the last years of service to increase pension benefits. The state also increased employer and employee contributions for the Iowa Public Employee Retirement System (IPERS) and for the Judicial Retirement System. In addition, the 2006 legislature authorized a study on alternatives to the current IPERS plan, which was to be completed by October 2007. Iowa has enacted several pieces of legislation in recent years that expand benefits—for example, by lowering the age at which sheriffs and deputy sheriffs can retire, and decreasing the service time needed for judges to vest in the pension system, according to the National Conference of State Legislatures.

KEY:  Top Performer  Needs Improvement  Below Par  Non-Pension Benefits are Minimal

This fact sheet stems from a 50-state analysis of states' retiree benefit obligations by Pew's Center on the States. The full report and 50 state fact sheets can be found at www.pewcenteronthestates.org.



The Pew Charitable Trusts applies the power of knowledge to solve today's most challenging problems. Our Pew Center on the States identifies and advances effective policy approaches to critical issues facing states.
2005 Market Street, Suite 1700 | Philadelphia, PA 19103 | www.pewtrusts.org